YEAR END ACCOUNTS

SHIPLEY COLLEGE

Report and Financial Statements

Year ended 31 July 2016

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel
Key management personnel are defined as members of the College Leadership Team and were represented by the following in 2015/16:

Nav Chohan Principal and CEO; Accounting officer *
Julie Bales Vice Principal Curriculum
Lorraine Swift Vice Principal Finance and Planning

Jeremy Stott, College Administrator* and Clerk to the Corporation (resigned from his post as College Administrator in January 2016)

Board of Governors
A full list of Governors is given on page 12 and 13 of these financial statements.

Mr Jeremy Stott acted as Clerk to the Corporation throughout the period.

*These posts are designated as Senior Post holders

Professional advisers

BANKERS:-
Lloyds PLC
67 Park Row
Leeds
LS1 1NX

SOLICITORS:-
Rolitts
Citadel House,
58 High Street
Hull
HU1 1QE

FINANCIAL STATEMENTS & REGULARITY AUDITORS:-
Mazars LLP
Park View House
58 The Ropewalk
Nottingham
NG1 5DW

CONTENTS

STRATEGIC REPORT

NATURE, OBJECTIVES AND STRATEGIES

The members present their report and the audited financial statements for the year ended 31 July 2016.

LEGAL STATUS

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Shipley College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

MISSION

"To provide high quality, inspirational education and training that meets the ambitions of individuals, businesses and communities."

PUBLIC BENEFIT

Shipley College is an exempt charity under the Part 3 of the Charities Act 2011 and from 9th November 2016, is regulated by the Secretary of State for Education as Principal Regulator for all FE Corporations in England. The members of the Corporation, who are trustees of the charity, are disclosed on page 12 and 13.

In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

In delivering its mission, the College provides the following identifiable public benefits through the advancement of education:

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems
- Links with employers, industry and commerce.

IMPLEMENTATION OF THE STRATEGIC PLAN

The College is working under a Strategic Plan for the period to 2017. The main Strategic Drivers are:

1. Build strong relationships with employers
2. Maximise student achievement and progression
3. Save or earn £0.75 million a year within 3 years.

Progress on the Strategic Drivers is reviewed annually with operational plans prepared for each academic year concerning new developments, quality improvement, finance, human resources and employer responsiveness.

The Corporation monitors the performance of the College against these plans which are reviewed and updated each year. The College recognises it operates in a very competitive and challenging environment and will maintain a vigorous response to these challenges. It recognises the national priority placed on collaborative activity with other agencies, community groups and employers to support national priorities. The College will continue to take a leading role in 14-19 developments in the district and proactively engage with employers to ensure responsiveness to business needs. The College will also continue to work with others to widen participation, increase achievement and contribute to Airedale regeneration and district – wide initiatives.

FINANCIAL OBJECTIVES

The Finance Plan supports the Corporation's three year strategic plan. The fulfilment of this strategy and plan is monitored systematically by the Corporation, as is the risk assessment which is also a part of the Corporation's strategic plan.

In addition to supporting the strategic plan of the College the Corporation has 5 financial objectives:-

- To maintain good financial management and reporting which records the achievement of the agreed quantitative performance indicators
- To maintain good financial management systems
- To maintain the confidence of funding bodies, suppliers and professional advisers
- To maintain awareness of financial issues and the financial environment
- To maintain a high standard of the stock of College accommodation and equipment

The College's financial strategy includes a series of performance indicators which have been agreed to monitor the successful implementation of the policies.

PERFORMANCE INDICATORS

The College's Strategic Drivers are underpinned by the following Key Performance Indicators:

- Retention and achievement
- Progress against income targets
- Major Programme Attendance
- Quality of Teaching, Learning and Assessment
- Sector Contributions
- Performance against contract values for 16-18, 19+ and Employer Responsive provision.

The Principal reports to the Corporation on progress in relation to these indicators. Retention and achievement performance is reported at every Corporation meeting. Other indicators are presented as appropriate.

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Skills Funding Agency. The Finance Record produces a financial health grading. The current rating of Satisfactory is considered an acceptable outcome.

FINANCIAL POSITION

Financial Results for the Year

The Group generated a deficit before other gains and losses in the year of £368k (2014/15 £52k), with a total comprehensive deficit of £2,222k (2014/15 £534k). This was a planned deficit due to the reduction in funding from the Education Funding Agency which due to lagged funding was significantly reduced for one year.

The main sources of income upon which the College depends, in addition to the funds provided by the funding bodies which represents 85% of income, are Education Contracts, Other grant funded schemes and Fee income. These additional sources represent 15% (2014/15 13%) of total operating income. The College is looking to increase additional non funding body income in future years with new provision in HE, Advanced Learning Loans and full cost work as well as maximising opportunities arising from the new Apprenticeship Levy.

The College has two subsidiary companies Shipley College Developments Limited and Shipley College Services Limited. The principal activity of Shipley College Developments Limited is acting as a Design and Build agent handling the building of the College's new Jonathan Silver Building. Shipley College Services Limited is a dormant company with no trading since incorporation. In the current year the surplus generated in Shipley College Developments Limited was £3k.

Consolidated accounts have been prepared for the year to 31 July 2016 incorporating the results of Shipley College Developments Limited.

The College and its subsidiary generated an operating deficit of £75k, before the cost of the Defined Benefit Scheme and enhanced pension adjustments. The effect of these adjustments are detailed below:-

	£'000	£'000
Operating deficit before pension reserve adjustments		75
Pension reserve adjustments:-		
Pension cost – note 7	184	
Pension Finance cost – note 10	109	293
Deficit for the year – Page 27		368

Treasury policies and objectives

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The College has a treasury management policy in place as part of the annexes to the Financial Regulations. This is reviewed by the Finance and General Purposes committee on behalf of the Corporation.

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

Cash flows and liquidity

The Group had cash reserves at the year end of £149k (2014/15 £832k). There was an operating cash out flow during the year due to spend on the new Jonathan Silver building and Mill Building. All grant funding in respect of the building has been utilised during the year. The College has no loans at the current time or in the previous year.

Reserves Policy

The College currently has no formal Reserves Policy, but recognises the importance of reserves in the financial stability of an organisation, whilst ensuring that adequate resources are provided for the College's core business. The College currently holds no restricted reserves. The Group has accumulated general reserves excluding Pension reserve, of £1,376k (2014/15 £1,4475k) and cash balances of £149k (2014/15 £832k). The Group wishes to continue to accumulate reserves and cash in order to create a contingency fund.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student Numbers

All learner responsive targets were met in 15/16.
Early indications for 2016/17 suggest:-

- 16-18 and 19+ numbers similar to 2015/16;
- increase in the number of apprentices providing we can secure enrolments under the new Apprenticeship standards;

Student Success

Student success rates for Learner Responsive and apprenticeship provision are above national averages and have been stable over the last 3 years in accordance with the changing curriculum balance

Curriculum Developments

The College plans to:-

- provide a good, balanced range of choices in the context of the district's 14-19 Strategy;
- make an active contribution to local regeneration through community based provision and support for local companies;
- play an active role in a range of Leeds City Region Partnerships
- through effective coordination with Job Centre Plus, provide effective provision for the unemployed.
- ensure the effectiveness of the College's contribution to the funding agencies and District targets in line with the national, regional and district priorities.

Payment Performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2015 to 31 July 2016, the College paid 78 per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

Post balance sheet events

There have been no post balance sheet events requiring disclosure.

Future developments

The College is under Plan Led Funding and hence income for 2016/17 has been confirmed at £3,317k from the Education Funding Agency and £1,937k from the Skills Funding Agency for the Adult Skills Budget.

The College has an Area Review recommendation to work towards a merger with Keighley College and Craven College.

Going Concern

Excluding the pension liability the College has net assets of £1,500k. There is a pension liability of £5,320k, of which only the agreed schedule of pension contributions is due for payment within twelve months from the date of signing the financial statements.

The College faced a year of reduced 16-18 income in 2015/16 in line with the lagged funding methodology. As the number of students in College was not reduced and the Corporation felt it important to maintain the resources and quality of its provision it agreed a deficit budget for the year to 31 July 2016 of £137k before pension and holiday pay adjustments at its meeting in July 15.

The final deficit for 15/16 has been reduced to £75k, as stated on page 6, as a result of careful budget management in year and the EFA funding agreement for 16/17 has confirmed that income will return to previous levels.

This planned deficit and investment in the College estate as detailed on page 8, means that at 31 July 2016 the Group had net current liabilities of £599k. This includes £175k holiday pay accrual and £149k deferred income from Government capital grants in line with the new requirements of FRS102. The holiday pay accrual will be released as part of the normal salary payment in August and the capital grant payment over the next twelve months so these do not affect the cashflows of the College. The College has in place an overdraft facility of £100k which was not utilised at year end but can be utilised to fund short term cash requirements.

The College has prepared 4 year financial forecasts and 2 year cashflow statements and work has been undertaken to generate new income sources in this period. Based on this, the Corporation is confident that the College will generate sufficient cash flows to meet its obligations as they fall due for payment with minimal use of the overdraft facility. Though some Further Education income streams are currently in flux, the College, even with prudent assumptions, expects to increase its cash over the forecasted period.

RESOURCES

The College has various resources that it can deploy in pursuit of its strategic objectives.

Tangible resources include the freehold of the Mill Building and Leasehold improvements on the Salt and Exhibition and Jonathan Silver Buildings within the Saltaire campus. The operating leases of the Salt and Exhibition Buildings and gardens (where the Jonathan Silver Building is now situated) were extended for 105 years in 2014 to assist in securing resources for the College. The Jonathan Silver Building was completed on the Exhibition Gardens in 2015 and opened in September 2015. Matched funding has been secured for refurbishment of the Colleges Salt Building which means that the College's estate is now secure for the foreseeable future.

Financial
The College has £599k of net current liabilities.

People
As at 31 July 2016 the College employed 158 people (expressed as full time equivalents), of whom 105 have a direct teaching role. This represents 189 staff.

Reputation
The College has a good reputation locally. Maintaining a quality brand is essential for the College's success at attracting students and for promoting external relationships.

PRINCIPAL RISKS AND UNCERTAINTIES:

The College has maintained its Risk Management arrangements throughout the year. The College has continued to develop and embed systems of internal control, including financial, operational and risk management, which are designed to protect the College's assets and reputation.

As set out in the College's Risk Management arrangements, the Risk Management Group regularly reviews the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions.

In addition to the annual review, the Principal and the Risk Management Group also consider any risks which may arise as a result of a new area of work being undertaken by the College.

The risk register is maintained at College level and is reviewed annually by the full Corporation and more frequently by Audit committee and The Finance and General Purposes committee. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

The Risk Register incorporates the Risk Management Plan which supports the principal risk factors. Other key items of College documentation, such as the Sector/Service Development plans, embed awareness of risk into College processes.

Outlined below is a description of the principal risk factors that are covered in the College's Risk Management Plan. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

1. Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies. In 2015/16, 85% of the College's revenue was ultimately public funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College is aware of several issues which may impact on future funding:

- There is considerable competition for full time student numbers in the local area with every secondary school operating a sixth form. Bradford demographics show a key issue will be severe shortage of spaces in the longer term. If the College can maintain/improve recruitment in the medium term, enrolments and therefore income, should be healthy into the next decade. In collaboration with the council the College is leading the 'Centre of Excellence for Business' in the city, the first partnership of its type in the Bradford Metropolitan area.

- Changes to qualifications. Government have revealed a review of qualifications with a view to reducing the numbers funded by as much as 90%. Of those that remain, there will be an expectation that External Assessment is increased.

- Number of apprenticeship places. The College is keen to expand apprenticeships and achieved a 14% increase in new starts in 15/16

Overall reductions in adult learner responsive funding alongside increases in employment costs continue to have serious repercussions for the College. This risk has been mitigated in a number of ways:

- A comprehensive review of staffing
- Securing additional Adult Responsive funds from other providers
- Seeking to increase the number of apprenticeships
- Diversifying income sources with courses attracting Advanced Learning loans and European funding.
- By ensuring the College is rigorous in improving the quality of education and training
- Considerable focus is placed on maintaining and managing key relationships with the various funding bodies
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.

2. Tuition fee policy

Ministers have confirmed that the fee assumption remains at 50%. In line with the majority of other colleges, Shipley College will seek to increase tuition fees in accordance with the fee assumptions. The price elasticity of adult learning for the College is not yet fully understood. The risk for the College is that demand falls off as fees increase. This will impact on the growth strategy of the College.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students
- Close monitoring of the demand for courses as prices change

3. Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102.

STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities, Shipley College has many stakeholders. These include:

- Students;
- Staff;
- the Skills Funding Agency;
- the Local Authority;
- the Education Funding Agency;
- FE Commissioner;
- local employers (with specific links);
- the local community;
- other Further Education institutions;
- Trade unions;
- Local Enterprise Partnerships (LEPs); and
- Professional bodies.

The College recognises the importance of these relationships and engages in regular communication with them through a variety of means.

EQUAL OPPORTUNITIES AND EMPLOYMENT OF DISABLED PERSONS

Equal Opportunities

The College respects and values the social and cultural diversity of its learners and employees by seeking to ensure that all have the opportunity to participate fully and achieve their potential irrespective of any of the following Equality Act 2010 'protected characteristics':

Age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion and belief, sex, and sexual orientation.

In achieving this objective, Shipley College is committed to promoting the Public Sector Duty and has in the performance of its corporate responsibilities due regard to the need to;

- Eliminate unlawful discrimination, harassment and victimisation and any other conduct prohibited by the Equality Act 2010
- Advance Equality of Opportunity and foster good relations between people who share a protected characteristic and people who do not share it.

The College achieves the aims of the Public Sector Duty by:

- Providing a learning and work environment which is inclusive
- Ensuring all policies, procedures and the design and delivery of the College services are free from discrimination and are appropriately monitored to respond to the diverse needs of all learners, employees and the wider community.

The College considers all applications from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which are, as far as possible, identical to those for other employees. The Equality and Diversity Plan is updated each year and monitored by managers and governors.

Disability Statement

The College seeks to achieve the objectives set down in the Equality Act 2010:

a) All College adaptations and building works are undertaken in accordance with Part M (Access to and Use of Buildings) of the Building Regulations. The College's new building (the Jonathan Silver Building) which was opened in September 2015, is designed to meet the needs of high needs learners and contains specialist areas and equipment.

b) The College has appointed a Head of Learning Support, who provides information, advice and arranges support where necessary for students with disabilities

c) There is a list of specialist equipment, such as a DeafCall system and portable induction loops, which the College can make available for use by students and a range of assistive technology is available in the Learning Resource Centre.

d) The Admissions Policy for all students is described in the College Prospectus. Appeals against a decision not to offer a place are dealt with under the Compliments and Complaints Policy.

e) The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of Learning Support Assistants who can provide a variety of support for learning. There is an ongoing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.

f) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published.

g) Pastoral support and welfare services are described in the 'Student Handbook', which is issued to students at induction with instructions on how to access support.

DISCLOSURE OF INFORMATION TO AUDITORS

The members who held office at the date of the approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditors are unaware; and each member has taken all the steps that he or she ought to have taken to be aware of the relevant audit information and to establish that the College's auditors are aware of that information.

The report of the Members of the Corporation was approved by the members on 13 December 2016 and signed on its behalf by:-

Mrs J Beaumont, Chair of the Corporation
13 December 2016

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure.

This statement covers the period from 1 August 2015 to 31 July 2016 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
ii. in full accordance with the guidance to colleges from the Association of Colleges in the Code of Good Governance for English Colleges ("the Code"); and
iii. having due regard to the UK Corporate Governance Code 2014 insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College has adopted and complied with the Foundation Code. We have not adopted and therefore do not apply the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2016. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The the Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 14 July 2015.

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The Governors, who are also the Trustees for the purposes of the Charities Act 2011, confirm that they have had due regard for the Charity Commission's guidance on public benefit and that the required statements appear elsewhere in these financial statements.

Governors serving on the College Board during 2015/2016

Name	Date of appoint-ment	Term of office	Date of resign-ation	Status of appoint-ment	Attendance at Full Corporation	Committees served and attendance
Mr N S Chohan	July 2009	N/a		Principal (Accounting Officer)	3/3	F & GP (3/3); Search (1/1); Curriculum & Quality (3/3)
Mr P Brown	January 2005 Reappointed June 2014	3 years		Member	2/3	Chair of F&GP (2/3); Search (1/1), Remuneration (1/1)
Mr N Hainsworth	July 2007 Reappointed July 2014	3 years		Member	1/3	Chair: Audit (2/2)
Dr R L'Amie	November 2003 Reappointed Nov 201 3	3 years	July 2016	Member	3/3	F&GP (3/3)

SHIPLEY COLLEGE

Name	Date of appoint-ment	Term of office	Date of resign-ation	Status of appoint-ment	Attendance at Full Corporation	Committees served
Mr J Egan	November 2009 Reappointed Nov 2013	3 years		Member	2/3	Audit (1/2), Remuneration (1/1) C&Q (2/3)
Mr J Briggs	May 2010 Reappointed April 2015	3 years		Member	3/3	Curriculum & Quality (2/3),
Mr S Desai	Dec 2010 Reappointed Dec 2011	3 years		Staff Member	3/3	Audit (2/2), C&Q (2/3)
Ms W Rowan	Dec 2015	1 Year		Staff Member	3/3	
Mr A Podesta	Dec 2011 Reappointed Oct 2015	3 years		Member	3/3	F & GP (3/3),
Mrs J Beaumont	Oct 2012 Reappointed Oct 2013	3 years		Member	3/3	Chair: Corporation Chair C&Q (2/3) Remuneration (1/1), Search (1/1)
Mr P Webley	Oct 2012 Reappointed Oct 2013	3 years		Member	3/3	Audit (2/2), C&Q (3/3) Vice Chair Corporation
Mrs S Goodison	Dec 2012 Reappointed Dec 2013	3 years	March 2016	Member	1/1	C&Q (1/2) Remuneration (1/1)
Ms S L Miles	Jul 2014	1 year	May 2016	Member	1/2	C&Q (2/2)
Ms T Spencer	Jul 2014	1 year		Member	3/3	F&GP (3/3)
Mr D Butcher	Apr 2016	1 year		Member	3/3	F&GP (2/3)
Ms S Khan	Apr 2016	1 year		Member	2/3	C&Q (2/3)
Mr J Parker	Apr 2016	1 year		Member	3/3	Audit (2/2) C&Q (1/1)
Ms L Ware	Apr 2016	1 year		Member	3/3	C&Q (2/3)
Miss R Stephen	Apr 2015	1 year	July 2016	Student	2/3	
Mr L Eloi	Dec 2015	1 Year		Student	2/3	
Vacancies – 4						
Mr J Stott: Clerk to the Corporation						

Non Corporation Members co-opted to serve on College committees during 2015/2016

Name	Date of appointment	Term of office	Date of resignation	Committees served
Mr M Brannan	March 2008 Reappointed Mar 2014 Oct 2014	3 yrs 3 yrs		Audit (2/2) Search (1/1)

It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety, equality and diversity and environmental issues. The Corporation meets each term.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the full Corporation. These committees are:-

- Finance and General Purposes;
- Search
- Remuneration
- Curriculum and Quality; and
- Audit.

The Corporation, Finance and General Purposes, and Curriculum & Quality committees convene termly. The Audit Committee meets twice and the Search and Remuneration committees are convened at least once a year.

Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website at www.shipley.ac.uk or from the Clerk to the Corporation at:-

Shipley College
Victoria Road
Shipley
BD18 3LQ

The Clerk to the Corporation maintains a register of financial and personal interests of the members of the Corporation. The register is available for inspection at the above address.

All members of the Corporation are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Clerk of the Corporation, who is responsible to the Board for ensuring compliance with all applicable procedures and regulations. The appointment and removal of the Clerk are matters for the Corporation as a whole.

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Corporation meetings. Briefings are also provided on an ad-hoc basis.

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision making process. The Corporation considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

There is a clear division of responsibility in that the roles of the Chair of the Corporation and Principal are separate.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search Committee consisting of three members of the Corporation plus an independent external co-opted member, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding 4 years.

Corporation performance

Self Assessed Key Strengths and Areas for Improvement for the Corporation (2014/15) as identified in the whole College SAR were Considered by the Corporation on 19 April 2016 as:

Strengths:

- Governors are determined that learners have the highest quality experience.
- Recently recruited governors with an educational background and a series of training activities related to teaching & learning has resulted in significant development of governors' understanding and skills in challenging learners' achievements and weaknesses in the quality of provision.
- Focus on an annual theme is taken from the College Quality Improvement Plan.
- Governors have a very good range of skills and are enthusiastic and committed in their support of the College.
- Oversight of finance, estates, audit and IT is outstanding and Governors contribute fully to the strategy for the future direction of the College's curriculum.
- Governors hold senior leaders to account in regular meetings for all aspects of the College's performance across all groups of learners to ensure none is disadvantaged or underachieve.
- Governors have a very good understanding of the quality of education at the College.
- Introduced 2 Liaison Equality & Diversity governors and 2 Liaison Safeguarding governors.
- Regular update training for Corporation members takes place to keep all informed about the new Government duties placed on colleges for safeguarding; including Prevent and promoting of British Values, SEND and health and safety.

Areas for Improvement:

Monitor the progress of Senior Leaders in achieving the areas for improvement identified in the whole College SAR, namely:

- Success rates for the few underperforming vocational courses and for level 2 maths and adult GCSE qualifications.
- Proportion of GCSE A* to C grades in English and mathematics.
- High grades (value added) achieved for 16-18 learners in Business, Sport & Exercise Science Diploma and those on Subsidiary Diplomas.
- Traineeship progression to known destinations.
- English and maths success rates.

Remuneration Committee

Throughout the year ended 31 July 2016, the College's remuneration committee comprised of four members of the Corporation. The committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal and other senior postholders.

Details of remuneration for the year ended 31 July 2016 are set out in note 7 to the financial statements.

Audit Committee

The Audit Committee is comprised of five members of the Corporation (excluding the Principal, Chair of the Corporation and Members of the F&GP Committee) plus one co-opted non-member of the Corporation; this latter member provides independence and experience to the committee. The committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's system of internal control and its arrangements for risk management, control and governance processes.

The Audit Committee meets twice a year and provides a forum for reporting by the College's internal and external auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

The College's internal auditors review the systems of internal control; risk management controls and governance process in accordance with an agreed plan of input and report their findings to management and the Audit Committee. Management are responsible for the implementation of agreed audit recommendations and internal audit undertake periodic follow up reviews to ensure such recommendations have been implemented.

The Audit Committee also advises the Corporation on the appointment of Internal, Regularity and Financial statement auditors and their remuneration for both audit and non-audit work as well as reporting annually to the Corporation.

Finance & General Purposes Committee

The F&GP Committee comprises 6 members of the Corporation (excluding members of the Audit Committee). The committee operates in accordance with written terms of reference approved by the Corporation. Its main responsibilities are:

- To monitor the implementation of the College's Financial Strategy
- To recommend annual estimates of income and expenditure for approval by the Corporation
- To regularly monitor:
  - the 3 year financial forecasts of the College
  - the annual budget updates
  - the cashflow forecasts
  - the management accounts and end of year accounts
  - a range of budget ratios
- To evaluate and advise the Corporation on major financial proposals and major capital projects.

Curriculum and Quality Committee

The C&Q Committee comprises 10 members of the Corporation. The committee operates in accordance with written terms of reference approved by the Corporation. Its main responsibilities are:

- To consider and recommend to the Corporation the College's Annual Self-Assessment Report and advise the Corporation on the College's arrangements for monitoring the College Quality Improvement plan (QIP) arising from the report.
- To consider and recommend to the Corporation the College's Development Plan and advise the Corporation on the College's arrangements for monitoring the plan.
- To consider the Quality Policy and annual Quality Cycle including supporting data sources for the College and make recommendations to the Corporation on assessing quality and ensuring continuous improvement.

- To undertake an annual review of the educational character of the College and maintain an overview of the College's curriculum and programme developments, making recommendations to the Corporation, as appropriate.
- To monitor and review for presentation to the Corporation:
    - Student end of year success rates compared to relevant national averages.
    - Student achievement of aspirational target grades.
- To receive an annual report and recommend to the Corporation the College performance management, training and development process for observation of teaching, learning and assessment (OTLA).

Search Committee

The Corporation has a Search Committee consisting of three members of the Corporation plus an independent external co-opted member. The committee operates in accordance with written terms of reference approved by the Corporation. Its main responsibilities are:

- Advising on the appointment of Members (other than as a Staff or Student Member) of the Corporation and such other matters relating to membership and appointments as the Corporation may remit to the Committee.
- Gathering, screening and shortlisting nominations in respect of vacancies on the Corporation.
- Considering and making recommendations to the Corporation on the composition and balance of the Corporation and its Committees.
- For advising the Corporation on the reappointment of members on the expiry of their term of office.

Internal Control

Scope of responsibility

The Corporation is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between the College and the funding bodies. He is also responsible for reporting to the Corporation any material weaknesses or break-downs in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the College for the year ended 31 July 2016 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the year ended 31 July 2016 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Corporation.

The risk and control framework

The system of internal control is based on a framework of regular management information, administration procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Corporation
- Regular reviews by the Corporation of periodic and annual financial reports which indicate financial performance against forecasts
- Setting targets to measure financial and other performance
- Clearly defined capital investment control guidelines
- The adoption of formal project management disciplines, where appropriate

The College has not appointed an internal audit service for the year ended 31st July 2016. For that year, the College management and Governors have assessed the internal controls and developed a Board Assurance Framework, clearly showing the mapping of assurance sources against the risks identified.

The College analysed the risks to which it was exposed and a programme of assurance was agreed with the Audit Committee with work appointed to specialist auditors where further assurance was identified as being required. The Committee was provided with regular reports on this assurance activity in the College which included a follow up on the previous year mock ILR review and a counter fraud and bribery systems audit both provided by ICCA.

Review of effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. The Accounting Officer's review of the effectiveness of the system of internal control is informed by:

- The work of the specialist auditors appointed for specific assurance
- The work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- Comments made by the College's financial statements auditors and the regularity auditors in their management letters and other reports.

The Accounting Officer has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Audit Committee which oversees the work of the internal auditor and other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Accounting Officer and Senior Management Team receive reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments. The Principal and Senior Management Team and Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Accounting Officer and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its July 2016 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2016.

Based on the advice of the Audit Committee and the Accounting Officer, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for "the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets".

Going Concern
Excluding the pension liability the College has net assets of £1,500k. There is a pension liability of £5,320k, of which only the agreed schedule of pension contributions is due for payment within twelve months from the date of signing the financial statements.

The College faced a year of reduced 16-18 income in 2015/16 in line with the lagged funding methodology. As the number of students in College was not reduced and the Corporation felt it important to maintain the resources and quality of its provision it agreed a deficit budget for the year to 31 July 2016 of £137k before pension and holiday pay adjustments at its meeting in July 15.

The final deficit for 15/16 has been reduced to £75k, as stated on page 6, as a result of careful budget management in year and the EFA funding agreement for 16/17 has confirmed that income will return to previous levels.

This planned deficit and investment in the College estate as detailed on page 8, means that at 31 July 2016 the Group had net current liabilities of £599k. This includes £175k holiday pay accrual and £149k deferred income from Government capital grants in line with the new requirements of FRS102. The holiday pay accrual will be released as part of the normal salary payment in August and the capital grant payment over the next twelve months so these do not affect the cashflows of the College. The College has in place an overdraft facility of £100k which was not utilised at year end but can be utilised to fund short term cash requirements.

The College has prepared 4 year financial forecasts and 2 year cashflow statements and work has been undertaken to generate new income sources in this period. Based on this, the Corporation is confident that the College will generate sufficient cash flows to meet its obligations as they fall due for payment with minimal use of the overdraft facility. Though some Further Education income streams are currently in flux, the College, even with prudent assumptions, expects to increase its cash over the forecasted period.

Approved by order of the members of the Corporation on 13 December 2016 and signed on its behalf by:-

Joanne Beaumont
Chair of the Corporation
13 December 2016

Mr N Chohan
Principal & Accounting Officer

GOVERNING BODY'S STATEMENT ON THE COLLEGE'S REGULARITY, PROPRIETY AND COMPLIANCE WITH FUNDING BODY TERMS AND CONDITIONS OF FUNDING

The Corporation has considered its responsibility to notify the Skills Funding Agency of material irregularity, impropriety and non-compliance with Skills Funding Agency terms and conditions of funding, under the financial memorandum in place between the College and the Skills Funding Agency. As part of our consideration we have had due regard to the requirements of the financial memorandum.

We confirm, on behalf of the Corporation, that after due enquiry, and to the best of its knowledge, we are able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Skills Funding Agency's terms and conditions of funding under the College's financial memorandum.

We confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date.

If instances as identified after the date of this statement, these will be notified to the Skills Funding Agency.

Approved by order of the members of the Corporation on 13 December 2016 and signed on its behalf by:-

Joanne Beaumont
Chair of the Corporation
13 December 2016

Mr N Chohan
Principal & Accounting Officer

STATEMENT OF THE RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION FOR THE FINANCIAL STATEMENTS

The members of the Corporation are required to present audited financial statements for each financial year.

Within the terms and conditions of the Financial Memorandum between the Skills Funding Agency and the Corporation of the College, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education and with the College Accounts Direction for 2015 to 2016 issued jointly by the Skills Funding Agency and the Education Funding Agency, and which give a true and fair view of the state of affairs of the College and the result for that year.

In preparing the financial statements, the Corporation is required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

The Corporation is also required to prepare a Strategic Report, which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with the and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the College website is the responsibility of the Corporation of the College; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the Skills Funding Agency are used only in accordance with the Financial Memorandum with the Skills Funding Agency and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the Skills Funding Agency are not put at risk.

SHIPLEY COLLEGE

Approved by order of the Members of the Corporation on 13 December 2016 and signed on its behalf by:-

Joanne Beaumont
Chair of the Corporation
13 December 2016

MAZARS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE CORPORATION OF SHIPLEY COLLEGE

We have audited the financial statements of Shipley College for the year ended 31 July 2016 which comprise the Company and Consolidated Statement of Comprehensive Income, Company and Consolidated Statement of Changes in Reserves, the Company and Consolidated Balance Sheet, the Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'the Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the Corporation as a body, in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Corporation and auditor

As explained more fully in the Statement of Responsibilities of the Corporation set out on page 21, the Corporation are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate .

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group and College's affairs as at 31 July 2016 and of the Group and College's deficit of income over expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Joint Audit Code of Practice issued jointly by the Skills Funding Agency and the Education Funding Agency requires us to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Mazars LLP

Mazars LLP
Chartered Accountants and Statutory Auditor

Park View House
58 The Ropewalk
Nottingham
NG1 5DW

Date 19 December 2016

MAZARS

INDEPENDENT REPORTING ACCOUNTANTS REPORT ON REGULARITY TO THE CORPORATION OF SHIPLEY COLLEGE AND SECRETARY OF STATE FOR EDUCATION ACTING THROUGH SKILLS FUNDING AGENCY

In accordance with the terms of our engagement letter dated 15 August 2016 and further to the requirements of the financial memorandum with Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Shipley College during the period 1 August 2015 to 31 July 2016 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which Skills Funding Agency has other assurance arrangements in place.

This report is made solely to the Corporation of Shipley College and the Skills Funding Agency in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Corporation of Shipley College and Skills Funding Agency those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation of Shipley City College and Skills Funding Agency for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Shipley College and the reporting accountant

The Corporation of Shipley College is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2015 to 31 July 2016 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency. We performed a limited assurance engagement as defined in that framework.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the college's income and expenditure.
The work undertaken to draw to our conclusion includes:

- Reviewed the statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding.
- Reviewed the College's completed self-assessment questionnaire on regularity.
- ead the financial memorandum with the SFA/ funding agreement with the EFA.
- Tested a sample of expenditure disbursed and income received to consider whether they have been applied to purposes intended by Parliament and in accordance with funding agreements where relevant.
- Reviewed all payments to senior post holders on termination of employment or in respect of claims made in the year.
- Reviewed approved policies and procedures operating during the year for each funding stream that has specific terms attached.
- Obtained the policy for personal gifts and/or hospitality.
- Obtained the register of personal interests.
- Obtained the financial regulations/financial procedures.
- Obtained the College's whistleblowing policy.

Conclusion
In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2015 to 31 July 2016 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Mazars LLP

Mazars LLP
Chartered Accountants and Statutory Auditor

Park View House
58 The Ropewalk
Nottingham
NG1 5DW

Date 19 December 2016

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

INCOME	Note	Year ended 31 July 2016 £'000		Year ended 31 July 2015 £'000 Restated	
		Group	College	Group	College
Funding body grants	2	6,462	6,462	7,032	7,032
Tuition Fees and Education contracts	3	531	531	467	467
Other grants and contracts	4	426	426	477	477
Other income	5	197	207	73	112
Investment income	6	1	1	4	4
Total income		7,617	7,627	8,053	8,092
Expenditure					
Staff costs	7	5,694	5,704	5,650	5,689
Other operating expenses	9	1,876	1,879	2,091	2,092
Interest and Other Finance Costs	10	109	109	95	95
Depreciation	12	306	306	269	269
Total expenditure		7,985	7,998	8,105	8,145
Deficit before tax		(368)	(371)	(52)	(53)
Taxation	11	-	-	-	-
Deficit for the year		(368)	(371)	(52)	(53)
Actuarial loss in respect of pension schemes	21	(1,854)	(1,854)	(482)	(482)
Total Comprehensive deficit for the year		(2,222)	(2,225)	(534)	(535)

The notes on pages 31 to 51 form part of these financial statements

CONSOLIDATED AND COLLEGE STATEMENT OF CHANGES IN RESERVES

	Income and expenditure account	Revaluation reserve	Total
Group			
Restated Balance at 1st August 2014	(1,196)	132	(1,064)
Deficit from the income and expenditure account	(52)	-	(52)
Other comprehensive income	(482)	-	(482)
Total comprehensive deficit for the year	(534)	-	(534)
Transfers between revaluation and income and expenditure reserves	4	(4)	-
Balance at 31st July 2015	(1,726)	128	(1,598)
Deficit from the income and expenditure account	(368)	-	(368)
Other comprehensive expenditure	(1,854)	-	(1,854)
Total comprehensive deficit for the year	(2,222)	-	(2,222)
Transfers between revaluation and income and expenditure reserves	4	(4)	
Balance at 31 July 2016	(3,944)	124	(3,820)
College			
Restated Balance at 1st August 2014	(1,196)	132	(1,064)
Deficit from the income and expenditure account	(53)	-	(53)
Other comprehensive income	(482)	-	(482)
Total comprehensive deficit for the year	(535)	-	(535)
Transfers between revaluation and income and expenditure reserves	4	(4)	-
Balance at 31st July 2015	(1,727)	128	(1,599)
Deficit from the income and expenditure account	(371)	-	(371)
Other comprehensive expenditure	(1,854)	-	(1,854)
Total comprehensive deficit for the year	(2,225)	-	(2,225)
Transfers between revaluation and income and expenditure reserves	4	(4)	-
Balance at 31 July 2016	(3,948)	124	(3,824)

The notes on pages 31 to 51 form part of these financial statements.

BALANCE SHEETS 31 JULY 2016

	Note	Group 2016 £'000	College 2016 £'000	Group 2015 £'000 Restated	College 2015 £'000 Restated
FIXED ASSETS					
Tangible assets	12	5,517	5,517	5,393	5,393
Investments	13	-	1	-	1
		5,517	5,518	5,393	5,394
CURRENT ASSETS					
Trade and other receivables	14	448	448	822	500
Cash and cash equivalents	15	149	135	832	832
Total current assets		597	583	1,654	1,332
Creditors: amounts falling due within one year	16	(1,196)	(1,187)	(1,985)	(1,665)
Net current liabilities		(599)	(604)	(331)	(333)
Total assets less current liabilities		4,918	4,914	5,062	5,061
Creditors: amounts falling due after more than one year	17	(3,141)	(3,141)	(3,210)	(3,210)
Provisions					
Defined benefit obligations	21	(5,320)	(5,320)	(3,173)	(3,173)
Other Provisions	18	(277)	(277)	(277)	(277)
TOTAL NET LIABILITIES		(3,820)	(3,824)	(1,598)	(1,599)
UNRESTRICTED RESERVES					
Income and expenditure account		(3,944)	(3,948)	(1,726)	(1,727)
Revaluation reserve		124	124	128	128
TOTAL UNRESTRICTED RESERVES		(3,820)	(3,824)	(1,598)	(1,599)

These financial statements on pages 27-51 were approved by the Corporation on 13 December 2016 and were signed on its behalf by:

Joanne Beaumont
Chair of the Corporation
13 December 2016

Mr N Chohan
Principal & Accounting Officer

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED 31 JULY 2016

	2016	2015
	£'000	£'000
		Restated
Cash outflow from operating activities		
Deficit for the year	(368)	(52)
Adjustment for non cash items		
Depreciation	306	269
Loss on disposals of fixed assets	2	8
Deferred capital grants released to income	(147)	(134)
Defined benefit pension scheme cost less contributions payable	184	125
(Increase)/Decrease in trade debtors	(28)	2
(Increase)/Decrease in prepayments and accrued income	(12)	15
Decrease/(Increase) in other debtors	414	(345)
Decrease in trade creditors	(116)	(30)
(Decrease)/Increase in taxation and social security	(5)	2
(Decrease)/Increase in other creditors	(1)	3
Decrease in accruals and deferred income	(677)	(283)
Decrease in provisions	-	(38)
Increase/(Decrease) in holiday pay accrual	5	(22)
Adjustment for investing and financing activities		
Interest receivable	(1)	(4)
Pension finance cost	109	95
Net cash outflow from operating activities	(335)	(389)
Cash flow from investing activities		
Investment income	1	4
Payments made to acquire fixed assets	(432)	(1,940)
Less deferred capital grant receipts	83	1,647
	(348)	(289)
Decrease in cash and cash equivalents in the year	(683)	(678)
Cash and cash equivalents at beginning of the year	832	1,510
Cash and cash equivalents at end of the year	149	832

The notes on pages 31 to 51 form part of these financial statements.

1. ACCOUNTING POLICIES

Statement of accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2015 to 2016* and in accordance with Financial Reporting Standard 102 – *"The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland"* (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the College's accounting policies.

Transition to the 2015 FE HE SORP

The College is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the College has amended certain accounting policies to comply with FRS 102 and the 2015 FE HE SORP. The trustees have also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'.

An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the College is provided in note 24.

The application of first time adoption allows certain exemptions from the full requirements of the FRS 102 and the 2015 FE HE SORP in the transition period. The following exemptions have been taken in these financial statements:

- Revaluation as deemed cost – at 1st August 2014, the College has retained the carrying values of freehold properties as being deemed cost and measured at fair value
- The College has taken advantage of the exemptions provided in FRS 102 1.12 and the 2015 FE HE SORP 3.3, and has not included a separate statement of its own cash flows. These cash flows are included within the Consolidated Statement of Cash Flows, and the College balance sheet discloses cash at both the current and preceding reporting dates.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention as modified by the use of previous valuations as deemed cost at transition for certain non-current assets.

Basis of consolidation

The consolidated financial statements include the College and its subsidiary Shipley College Developments Limited, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102.

1. ACCOUNTING POLICIES (CONTINUED)

The College's consolidated financial statements do not consolidate the results of Shipley College Services Limited on the grounds that the subsidiary undertaking is dormant and not considered material to the financial statements.

Going Concern

Excluding the pension liability the College has net assets of £1,500k. There is a pension liability of £5,320k, of which only the agreed schedule of pension contributions is due for payment within twelve months from the date of signing the financial statements.

The College faced a year of reduced 16-18 income in 2015/16 in line with the lagged funding methodology. As the number of students in College was not reduced and the Corporation felt it important to maintain the resources and quality of its provision it agreed a deficit budget for the year to 31 July 2016 of £137k before pension and holiday pay adjustments at its meeting in July 15.

The final deficit for 15/16 has been reduced to £75k, as stated on page 6, as a result of careful budget management in year and the EFA funding agreement for 16/17 has confirmed that income will return to previous levels.

This planned deficit and investment in the College estate as detailed on page 8, means that at 31 July 2016 the Group had net current liabilities of £599k. This includes £175k holiday pay accrual and £149k deferred income from Government capital grants in line with the new requirements of FRS102. The holiday pay accrual will be released as part of the normal salary payment in August and the capital grant payment over the next twelve months so these do not affect the cashflows of the College. The College has in place an overdraft facility of £100k which was not utilised at year end but can be utilised to fund short term cash requirements.

The College has prepared 4 year financial forecasts and 2 year cashflow statements and work has been undertaken to generate new income sources in this period. Based on this, the Corporation is confident that the College will generate sufficient cash flows to meet its obligations as they fall due for payment with minimal use of the overdraft facility. Though some Further Education income streams are currently in flux, the College, even with prudent assumptions, expects to increase its cash over the forecasted period.

Recognition of income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

Grants (including research grants) from non-government sources are recognised in income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual method as permitted by

1. ACCOUNTING POLICIES (CONTINUED)

FRS 102. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

Income from tuition fees is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received.

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned on a receivable basis.

Accounting for Post retirement benefits

Retirement benefits for employees of the College are provided by the Teacher's Pension Scheme (TPS) and the West Yorkshire Pension Fund (WYPF). These are defined benefit schemes which are externally funded and contracted out of the State Second Pension.

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Governmant Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 21, the TPS is a multi employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

The WYPF is a funded scheme and the assets are held separately from those of the Group in separate trustee administered funds. The WYPF liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other comprehensive income.

Actuarial gains and losses are recognised immediately in other comprehensive income.

Short term Employment benefits

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

Enhanced pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the College annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the group's income and expenditure account in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the funding bodies.

1. ACCOUNTING POLICIES (CONTINUED)

Non Current Assets - Tangible fixed assets

Tangible fixed assets are stated at deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Freehold Land and buildings
Land and Buildings inherited from the Local Education Authority are stated in the balance sheet at valuation, the associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of the assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account on an annual basis.

Building improvements made since the valuation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over the expected useful economic life to the College of 50 years.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Leasehold property Improvements
Building improvements made to existing buildings held under operating leases are included in the balance sheet at cost and depreciated over the expected useful economic life to the College of 50 years or period of the lease if shorter than 50 years.

Assets under construction
Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July. They are not depreciated until they are brought into use.

Subsequent expenditure on existing fixed assets
Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Market value of the fixed asset has subsequently improved;
- Assets capacity increases; or
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the assets life beyond that conferred by repairs and maintenance.

Buildings owned by third parties

Where land and buildings are used, but the legal rights are held by a third party (for example a charitable trust), they are only capitalised if the Group has rights or access to ongoing future economic benefit.

1. ACCOUNTING POLICIES (CONTINUED)

Equipment

Equipment is defined as any item (including furniture and sets of inter-dependent items) purchased or hired by the College which has an expected useful lifespan of at least one year. Equipment costing more than £500 and all computer workstations are capitalised at cost in the period of acquisition and depreciated over 5 years on a straight line basis.

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to income and expenditure account over the expected useful economic life of the related equipment.

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives relating to leases signed after 1st August 2014 are spread over the minimum lease term.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as finance leases.

Maintenance of Premises

The cost of routine corrective maintenance is charged to the income and expenditure account in the period it is incurred.

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore meets the definition of a charitable company for UK corporation tax purposed. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within the categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so it can only recover a minor element of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

The College's subsidiary company is subject to Corporation Tax and VAT in the same way as a commencial organisation.

Provisions and contingent liabilities

Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the statement of comprehensive income in the period it arises.

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that

1. ACCOUNTING POLICIES (CONTINUED)

an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statements.

Financial liabilities

Financial liabilities are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

All Financial liabilities held by the Group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the Group has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost.

Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of 3 months or less from the date of acquisition.

Agency arrangements

The College acts as an agent in the collection and payment of discretionary support funds. Related payments received from the funding bodies and the subsequent disbursements to students are excluded from the Statement of Comprehensive Income and are shown separately in note 23, except for 5% of the grant which is available to the College to cover administration costs relating to the grant.

Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, management have made the following judgements:

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.

Other key sources of estimation uncertainty

- Tangible fixed assets

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

1. ACCOUNTING POLICIES (CONTINUED)

- West Yorkshire Pension Scheme

The present value of the West Yorkshire Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 21, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 July 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2. FUNDING BODY GRANTS

	2016 £'000		2015 £'000	
	Group	College	Group	College
Funding body recurrent grant :-				
Education Funding Agency	3,878	3,878	4,024	4,024
Skills Funding Agency	1,751	1,751	2,134	2,134
Release of government capital grants	135	135	116	116
16-18 apprentice grant	371	371	274	274
Funding body non recurrent grants	327	327	484	484
	6,462	6,462	7,032	7,032

3. TUITION FEES AND EDUCATION CONTRACTS

	2016 £'000		2015 £'000	
	Group	College	Group	College
UK Further Education Students	329	329	260	260
Advanced Learning loans	199	199	191	191
	528	528	451	451
Contracts with Schools	3	3	16	16
	531	531	467	467

4. OTHER GRANTS AND CONTRACTS

	2016 £'000		2015 £'000	
	Group	College	Group	College
Other Grants and contracts	426	426	477	477

5. OTHER INCOME

	2016 £'000		2015 £'000	
	Group	College	Group	College
Government Capital Grants release – non funding bodies	12	12	12	12
Other income	185	195	61	100
	197	207	73	112

6. INVESTMENT INCOME

	2016 £'000		2015 £'000	
	Group	College	Group	College
Interest receivable	1	1	4	4
	1	1	4	4

7. STAFF COSTS

The average number of persons (including key management personnel) employed by the College during the period, expressed as full-time equivalents, was:

	2016 No.		2015 No.	
	Group	**College**	**Group**	**College**
Teaching staff	105	105	120	120
Non – teaching staff	53	53	60	60
	158	158	180	180

Staff costs for the above persons	**2016 £'000**		**2015 £'000**	
	Group	**College**	**Group**	**College**
Wages and salaries	4,528	4,538	4,665	4,704
Social security costs	269	269	256	256
Other pension costs (including defined benefit pesion adjustments of £184k, 2015 £125k)	824	824	696	696
	5,621	5,631	5,617	5,656
Contracted out staffing services	73	73	33	33
TOTAL STAFF COSTS	5,694	5,704	5,650	5,689

7. STAFF COSTS (CONTINUED)

Key management personnel
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Senior Management team which comprises the Principal, the two Vice Principals and the Clerk to the Corporation & College Administrator for the period to 18 January 2016.

Emoluments of Key management personnel, Accounting Officer and other higher paid staff

	2016	2015
	No.	No.
The number of Key management personnel including the Accounting Officer was:	4	4

The number of key management personnel who received annual emoluments, excluding pension contributions but including benefits in kind, in the following ranges was :-

	Key management personnel	
	2016	2015
Key management personnel	No.	No.
£20,001 - £ 30,000	1	-
£30,001 - £ 40,000	-	-
£40,001 - £ 50,000	-	-
£50,001 - £ 60,000	2	2
£60,001 - £ 70,000	-	1
£70,001 - £ 80,000	-	-
£80,001 - £ 90,000	1	1
	4	4

No other staff received annual emoluments, excluding pension contributions but including benefits in kind in excess of £60,000.

Key management personnel emoluments are made up as follows	2016	2015
	£'000	£'000
Salary	230	260
Pension contributions	35	36
Employer's national insurance contributions	25	27
Total emoluments	290	323

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place.

No compensation was paid to key management personnel for loss of office.

No member of the Corporation received any payment from the College for expenses incurred in the course of their duties.

7. STAFF COSTS (CONTINUED)

The above emoluments include amounts paid to the Principal (who is also the highest paid officer) of:

	2016	2015
	£'000	£'000
Salary	84	84
Pension contributions	14	12

The Pension contributions in respect of the Principal and senior post-holders are in respect of the employer's contributions to the Teachers Pension Scheme and West Yorkshire Pension Fund and are paid at the same rate as for other employees.

8. OVERSEAS ACTIVITIES

There were no costs incurred during 2015-16 in respect of overseas activities.

9. OTHER OPERATING EXPENSES

	2016 £'000		2015 £'000	
	Group	College	Group	College
Teaching costs	131	131	140	140
Non Teaching costs	1,037	1,040	1,276	1,277
Premises costs	708	708	675	675
	1,876	**1,879**	**2,091**	**2,092**

Other operating expenses include:	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Operating lease rentals				
Land and Buildings	113	113	105	105
Plant and Machinery	19	19	19	19
Auditor's remuneration				
Financial statements audit	12	11	11	9
Regularity audit	2	2	2	2
Internal audit	6	6	-	-
Loss on disposal of fixed assets	2	2	8	8

10. INTEREST AND OTHER FINANCE COSTS

	2016 £'000		2015 £'000	
	Group	College	Group	College
Pension finance costs (note 21)	109	109	95	95

11. TAXATION

The College is not liable for any corporation tax arising out of its activities during the year.

12. TANGIBLE FIXED ASSETS

	College and Group				
	Freehold land and buildings	Long leasehold improvements	Assets under construction	Equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost or Valuation					
At 1 August 2015	1,043	3,718	1,983	3,410	10,154
Additions	111	-	269	52	432
Transfers	-	2,252	(2,252)	-	-
Disposals	-	-	-	(18)	(18)
At 31 July 2016	1,154	5,970	-	3,444	10,568
Depreciation					
At 1 August 2015	283	1,545	-	2,933	4,761
Charge for Year	26	98	-	182	306
Eliminated on disposal				(16)	(16)
At 31 July 2016	309	1,643	-	3,099	5,051
Net book value at 31 Jul 2016	845	4,327	-	345	5,517
Net book value at 1 Aug 2015	760	2,173	1,983	477	5,393

13. NON CURRENT INVESTMENTS

	College 2016 £'000	College 2015 £'000
Investment in subsidiary companies	1	1
	1	1

The College owns 100 per cent of the issued ordinary £1 shares of Shipley College Developments Limited, a company incorporated in England and Wales and 51 per cent of the issued ordinary £1 shares of Shipley College Services Limited, a company incorporated in England and Wales. The principal activity of Shipley College Developments Limited is to design and build the Jonathan Silver Building for the College. Shipley College Services Limited has been dormant since incorporation.

14. DEBTORS

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Amounts falling due within one year:				
Trade receivables	61	61	33	33
Other receivables	223	223	637	315
Amounts owed by the funding bodies (SFA/EFA)	45	45	36	36
Prepayments and accrued income	119	119	116	116
	448	448	822	500

15. CASH AND OTHER CASH EQUIVALENTS

	At 31 July 2015 £'000	Cash flows £'000	At 31 July 2016 £'000
College Cash in hand and at bank	832	(697)	135
TOTAL	832	(697)	135

	At 31 July 2015 £'000	Cash flows £'000	At 31 July 2016 £'000
Group Cash in hand and at bank	832	(683)	149
TOTAL	832	(683)	149

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Trade creditors	336	293	452	432
Taxation and social security	108	108	113	113
Other creditors	93	93	94	94
Amount owed to Subsidiary undertakings	-	34	-	13
Deferred income – government capital grants	149	149	144	144
Deferred income – government revenue grants	46	46	161	161
Holiday pay accrual	175	175	170	170
Accruals and deferred income	289	289	851	538
	1,196	1,187	1,985	1,665

17. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Deferred income – government capital grants	3,141	3,141	3,210	3,210
	3,141	3,141	3,210	3,210

18. PROVISIONS

	Group and College		
	Defined benefit obligations £,000	**Enhanced pensions £,000**	**Total £,000**
At 1 August 2015	3,173	277	3,450
Increase in provision	2,147	-	2,147
At 31 July 2016	5,320	277	5,597

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 21.

The enhanced pension provision relates to the cost of staff who have already left the College's employ and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:	2016 £'000	2015 £'000
Interest Rate	2.3%	3.46%
Inflation Rate	1.3%	1.75%

19. OPERATING LEASES

At 31 July 2016, the College had outstanding commitments for future minimum lease payments under non-cancellable operating leases as follows:

Land and buildings

	2016		2015	
	Group	College	Group	College
	£'000	**£'000**	**£'000**	**£'000**
Due within one year	110	110	105	105
Later than one year and not later than five years	440	440	420	420
Later than five years	1,142	1,142	1,086	1,086
Total Future minimum lease payment	1,692	1,692	1,611	1,611

A total of £113k was recognised as an operating lease expense in the year (2015 £105)

Equipment

	2016		2015	
	Group	College	Group	College
	£'000	**£'000**	**£'000**	**£'000**
Due within one year	19	19	18	18
Later than one year and not later than five years	32	32	51	51
Total Future minimum lease payment	51	51	69	69

A total of £19k was recognised as an operating lease expense in the year (2015 £19k)

20. FINANCIAL COMMITMENTS

As at 31 July 2016 the College had no commitments for equipment orders (2015 £36k) or building works (2015 £201k).

21. DEFINED BENEFIT OBLIGATIONS

The College's employees belong to two principal post employement benefit plans, the Teachers' Pensions Scheme (TPS) for academic and related staff; and the West Yorkshire Pension Fund for non-teaching staff. Both are defined-benefit plans.

The total pension cost for the period:	**2016** **£'000**	**2015** **£'000**
Teachers' Pension Scheme: contributions paid	334	319
West Yorkshire Pension Fund –contributions paid	306	290
FRS17 Charge	184	125
Enhanced pension charge to Statement of Comprehensive income	-	(38)
Total pension cost for the year within staff costs	824	696

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2013.

Contributions amounting to £51k (2015 £50k) were payable to the schemes at 31st July and are included within creditors.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

21. DEFINED BENEFIT OBLIGATIONS (CONTINUED)

Valuation of the Teachers' Pension Scheme

The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation and the subsequent consultation are:

- employer contribution rates were set at 16.48% of pensionable pay (including a 0.08% levy for administration);
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:
https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx

Scheme Changes

Following the Hutton report in March 2011 and the subsequent consultations with trade unions and other representative bodies on reform of the TPS, the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme will commence on 1 April 2015.

The pension contribution paid to the TPS for the year ended 31 July 2016 was £334k (2015 £319k).

FRS 102(28)

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the College has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The College has set out above the information available on the scheme and the implications for the College in terms of the anticipated contribution rates.

21. DEFINED BENEFIT OBLIGATIONS (CONTINUED)

Local Government Pension Scheme (LGPS)

The LGPS is a funded defined benefit scheme, with the assets held in separate funds administered by the West Yorkshire Pension Fund (WYPF). The total contribution made for the year ended 31 July 2016 was £451k of which employers' contributions totalled £306k and employee's contributions totalled £145k. In addition, the College has entered into an agreement with the LGPS to make additional contributions for 3 years to March 2014 of £73,179 payable over the 3 years in addition to normal funding levels, and a further £58,800 payable over the 3 years to March 2017. The payment included in the accounts for 2015/16 was £18k. The contribution rates for 1 August 2015 to 31 July 2016 were 13.3% for employers, 5.5% -9.9% for employees based on salary levels

Principle Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2016 by a qualified independent actuary.

	At 31 July 16	**At 31 July 15**
Rate of increase in salaries	3.3%	3.6%
Rate of increase for pensions in payment/inflation	1.8%	2.1%
Discount rate for scheme liabilities	2.4%	3.6%
Commutation of pensions to lump sums – maximum cash v 3/80th cash	75%	75%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 July 2016	**At 31 July 2015**
Retiring today		
Males	22.7	22.6
Females	25.6	25.5
Retiring in 20 years		
Males	24.9	24.8
Females	28.0	27.8

The College's share of the assets and liabilities in the scheme and the expected rates of return were:

	Value at 31 July 2016 £'000	**Value at 31 July 2015 £'000**
Equities	7,200	6,368
Government Bonds	1,073	872
Other Bonds	402	386
Property	460	377
Cash/liquidity	134	126
Other	316	260
College share of total market value of assets	9,585	8,389
Present value of scheme liabilities		
Funded	(14,870)	(11,528)
Unfunded	(35)	(34)
Deficit in the scheme	(5,320)	(3,173)

21. DEFINED BENEFIT OBLIGATIONS (CONTINUED)

Amounts recognised in the Statement of Comprehensive Income in respect of the plan are as follows:-

	2016 £'000	2015 £'000
Amounts included in staff costs		
Current service costs	489	438
Past service costs	11	7
Total	500	445
Amounts included in financing costs		
Net finance cost	109	95
	109	95
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets excluding amounts included in net interest	660	394
Actuarial losses on liabilities	(2,514)	(876)
Amounts recognised in Other Comprehensive Income	(1,854)	(482)

Movement in deficit during year	2016 £'000	2015 £'000
Deficit in scheme at 1 August	(3,173)	(2,471)
Movement in year:		
Employer's service costs (net of employee contributions)	(500)	(445)
Employer's contributions	316	320
Net interest	(109)	(95)
Actuarial loss	(1,854)	(482)
Deficit in scheme at 31 July	(5,320)	(3,173)

Asset and Liability Reconciliation **Reconciliation of Liabilities**	2016 £'000	2015 £'000
Changes in the present value of the defined benefit obligations		
Defined benefit obligations at start of period	11,562	9,863
Current service cost	489	438
Interest cost	415	404
Contributions by scheme participants	145	152
Changes in financial assumptions	2,514	876
Estimated benefits paid	(231)	(178)
Past service cost	11	7
Defined benefit obligations at end of period	14,905	11,562
Changes in the fair value of the plan assets		
Fair value of plan assets at the start of period	8,389	7,392
Interest on plan assets	306	309
Return on plan assets less interest on plan assets	660	394
Employer contributions	316	320
Contributions by scheme participants	145	152
Estimated benefits paid	(231)	(178)
Fair value of plan assets at the end of the period	9,585	8,389

22. RELATED PARTY TRANSACTIONS

As a result of the nature of the College's operations and the composition of the Corporation, being drawn from local public and private sector organisations it is possible that transactions will take place in which a member of the Corporation may have an interest. All transactions are, however, conducted at arm's length,and in accordance with the College's financial regulations and normal procurement procedures, and no transactions have been identified which require disclosure under Section 33, Related Party Disclosures.

No member of the Corporation has received any remuneration or waived payments from the College or its subsidiaries during the year (2015 – none).

Transactions with funding bodies are detailed in note 2.

23. AMOUNTS DISBURSED AS AGENT

Learner Support Funds	**Year ended 31 July 2016**	**Year ended 31 July 2015**
	£'000	**£'000**
Funding body grants – hardship funds	376	476
Funding body grants – childcare	-	57
TOTAL	376	533
Disbursed to students	(357)	(413)
Staffing	(19)	(22)
Balance unspent at 31 July, included in creditors	-	98

The funding body grants are available solely for the benefit of students; In the majority of instances, the College acts only as paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the Statement of Comprehensive Income.

24. TRANSITION TO FRS 102 AND THE 2015 FE HE SORP

The year ended 31st July 2016 is the first year that the College has presented its financial statements under FRS 102 and the 2015 FE HE SORP. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31st July 2015 and the date of transition to FRS 102 and the 2015 FE HE SORP was therefore 1st August 2014. As a consequence of adopting FRS 102 and the 2015 FE HE SORP, a number of accounting policies have changed to comply with those standards.

24. TRANSITION TO FRS 102 AND THE 2015 FE HE SORP (CONTINUED)

An explanation of how the transition to FRS 102 and the 2015 FE HE SORP has affected the College's financial position, financial performance and cash flows, is set out below.

	Note	1st August 2014		31st July 2015	
		Group	College	Group	College
		£'000	£'000	£'000	£'000
Financial Position					
Total reserves under previous SORP		(872)	(872)	(1,428)	(1,429)
Employee leave accrual	(a)	(192)	(192)	(170)	(170)
Total effect of transition to FRS 102 and 2015 FE HE SORP		(192)	(192)	(170)	(170)
Total reserves under 2015 FE HE SORP		(1,064)	(1,064)	(1,598)	(1,599)

		Year ended 31st July 2015	
		Group	College
		£'000	£'000
Financial performance			
Surplus for the year after tax under previous SORP		114	113
Employee leave accrual	(a)	22	22
Pensions provision – actuarial loss	(b)	(482)	(482)
Changes to measurement of net finance cost on defined benefit plans	(c)	(188)	(188)
Total effect of transition to FRS 102 and 2015 FE HE SORP		(648)	(648)
Total comprehensive deficit for the year under 2015 FE HE SORP		(534)	(535)

24. TRANSITION TO FRS 102 AND THE 2015 FE HE SORP (CONTINUED)

a) Recognition of short term employment benefits

No provision for short term employment benefits such as holiday pay was made under the previous UK GAAP. Under FRS 102 the costs of short-term employee benefits are recognised as a liability and an expense. The annual leave year runs to 31st August each year for both teaching and non-teaching staff meaning that, at the reporting date, there was an average of 11 days unused leave for teaching staff and 5 days unused leave for non-teaching staff. In addition, certain non-teaching employees are entitled to carry forward up to 1 week of any unused holiday entitlement at the end of the leave year. The cost of any unused entitlement is recognised in the period in which the employee's services are received. An accrual of £192k was recognised at 1 August 2014, £170k at 31 July 2015 and £175k at 31 July 2016. The movement on this provision has been charged to the Statement of Comprehensive Income in the year.

b) Change in recognition of defined benefit plan finance costs

The net pension finance cost recognised in the Income and Expenditure account for the year ended 31st July 2015 under the previous UK GAAP was the net of the expected return on pension plan assets and the interest on pension liabilities. FRS 102 requires the recognition in the Statement of Comprehensive Income, of a net interest cost, calculated by multiplying the net plan obligations by the market yield on high quality corporate bonds (the discount rate applied). The change has had no effect on net assets as the measurement of the net defined benefit plan obligation has not changed. Instead, the decrease in the surplus for the year has been mirrored by a reduction in the actuarial losses presented within Other Comprehensive Income.

c) Presentation of actuarial gains and losses within Total Comprehensive Income

Actuarial gains and losses on the College's defined benefit plans were previously presented in the Statement of Total Recognised Gains and Losses (STRGL), a separate statement to the Income and Expenditure account. All such gains and losses are now required under FRS 102 to be presented within the Statement of Comprehensive Income, as movements in Other Comprehensive Income.

d) Change in presentation of Deferred Capital Grants

Deferred Capital Grants under the previous UK GAAP were reported in Reserves on the balance sheet. Under FRS 102 Deferred Capital Grants are reporting under creditors falling due within one year and after more than one year. This is calculated based on the planned release of the grant in line with the depreciation of the asset funded by the grant.